



# Overview of the FY 2023-2027 Capital Improvement Program

Board of Supervisors Budget Committee Meeting

March 15, 2022

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# CIP Overview

- The FY 2023–FY 2027 Capital Improvement Program totals \$11.96 billion (FY 2023 = \$1.34 billion)
  - The CIP includes County managed and non-County managed (NOVA Parks, Water Supply) Capital Programs
  - County Managed programs include:
    - ✦ Self-Supported Capital Programs (Stormwater, Solid Waste, Transportation, Wastewater) developed and approved as part of the Annual Budget
    - ✦ General Fund Supported Capital Programs (Commitments/Contributions/Maintenance and Infrastructure Replacement and Upgrades-Paydown Capital), developed and approved as part of the Annual Budget
    - ✦ General Obligation Bond/EDA Bond Supported Program, developed as part of the 5-10 year CIP

# Joint County/Schools CIP Committee

- Recommendations from Committee included:
  - Increase in annual bond sale limits from \$300 to \$400 million, with \$50 million increase (split evenly between County/Schools) beginning in January 2023
    - ✦ Second \$50 million increase would occur in January 2025
  - Dedication of the equivalent of one penny on the Real Estate Tax rate to be utilized for debt service payments on the increased sales and to increase Capital Paydown investments
    - ✦ \$5 million – split evenly between the County and Schools is included in Advertised Budget
    - ✦ For County, \$1.0 million is recommended to be utilized for feasibility studies and \$1.5 million is dedicated to infrastructure replacement
  - Increase in the percentage allocated to the Capital Sinking Fund at year-end, with Schools included in the allocation
    - ✦ Will be implemented as part of *FY 2022 Carryover Review*

# General Fund Capital Program

- General Fund Capital Program
  - \$22,495,773 in FY 2023
  - Includes \$18,438,773 in commitments, contributions, and maintenance (72 percent)
  - Includes \$7,057,000 in capital improvements (28 percent)
  - Increase over FY 2022 of \$6,817,728 including:
    - \$3,948,694 primarily for maintenance and snow removal programs previously budgeted in Agency 87 (no net impact to the General Fund)
    - \$2,500,000 partial funding associated with Joint CIP Committee Recommendation to dedicate the value of one penny on the Real Estate tax
    - \$369,034 for other adjustments (opening of the new Patriot Park North complex, maintenance for newly acquired park land, additional sports scholarships)
- For several years, the Annual Paydown Program has been supplemented by adjustments at the Third Quarter or Carryover Reviews (anticipated again in FY 2022) and the Sinking Fund

# Bond Referendum Plan

- The majority of CIP projects are financed with General Obligation Bonds
  - Details the long-range plan, outlining specific projects and schedules
  - More predictable plan for the Board, County agencies, the public
  - Includes County/FCPS bond referenda in alternate years
- More robust review of Bond Referendum Plan conducted this year based on discussions with Joint CIP Committee

# Challenges Facing the Bond Referendum Plan

- The bond program has been experiencing several challenges in recent years that have led to a backlog in unsold bonds
  - Limits on bond sales timeframes (8 years with possible 2-year extension)
  - Restrictions on annual bond sale amounts
  - Changes in project scopes after voter approval
  - Higher Metro contribution requirements (in January 2021, the Metro bond sale was \$42m vs \$20m in 2011; more than double over a span of 10 years)
  - Project delays associated with colocation opportunities (colocation projects are taking longer to complete, delaying bond sales, and creating a backlog of sale requirements )
  - Supply chain issues
  - COVID related delays

# Changes from Prior Bond Referendum Plan

- Based on projected timing of bond sales, several changes to the bond plan are recommended:
  - 2-year deferral of many County referendums, with 6 years between referendum instead of 4 years
  - No County referendum in November 2022
  - Move Northern Virginia Regional Park Authority contribution to General Fund
  - Recommend no change to timing of Schools, Metro, Roads, or Libraries schedule
  - Anticipate no impact to project completions or projected sales for approved referendum
- All future building projects increased 5% to account for rising costs related to supply chain issues, increased environmental/energy requirements, and potential impact of prevailing wage

# Bond Referendum Plan

## FY 2023-FY 2027 CIP Bond Referendum Plan

Year	Category	Description			Total
Fall 2022	County	No Referendum			--
Fall 2023	Schools	Capital Enhancement, Renovation, Infrastructure Management			\$360 mil
Fall 2024	County	Public Safety	\$146 mil	Chantilly Fire Station, Fox Mill Fire Station, Oakton Fire Station, Wellfit Performance Center, Mt. Vernon Police Station, Tysons Police Station	\$326 mil
		Transportation	\$180 mil	Metro Contribution	
Fall 2025	Schools	Capital Enhancement, Renovation, Infrastructure Management			\$460 mil
Fall 2026	County	Human Services	\$117 mil	Early Childhood Facilities, Tim Harmon Campus, Springfield Community Resource Center	\$381 mil
		Libraries	\$64 mil	Centreville Regional, Chantilly Regional Technical Operations, Herndon Fortnightly Community, Kings Park Community	
		Parks	\$100 mil	County Park Authority	
		Transportation	\$100 mil	Roads	

# Examples of Upcoming EDA/Other Financing

- FY 2023: \$86 million, Original Mount Vernon High School
- FY 2025: \$60.5 million, Lake Accotink
  - Dredging and construction of a forebay
- FY 2025: \$29.5 million, Reston Town Center North
  - Initial funding for the first phase (Library and Community Space). Total complex estimated to be financed over several years
- FY 2026: \$115 million, Judicial Center Complex
  - Initial funding to begin work on the redevelopment of the Complex. The project is envisioned to be completed in phases

# Original Mount Vernon High School Project

- Interim use renovations are complete
- \$86 million FCRHA bonds for renovation
  - Geothermal System
  - Increase in Early Childhood Education Program
    - ✦ From 86 children to 172 children
  - Interior Improvements to the Historic Buildings
    - ✦ Theater upgrades
    - ✦ New program of kitchen incubation
    - ✦ Interior scope to facilitate future tenant fit-outs
- Additional funding will be requested for expansion of Early Childhood Education
- State Historic Tax Credits are anticipated (potentially \$8 million)



# Bond Plan Link to Debt Policies

- Total Bond Plan includes General Obligation Bonds/EDA Bonds/other financing sources
- Ten Principles of Sound Financial Management
  - Below 3 percent debt to market value (currently 1.06 percent)
  - Below 10 percent debt to General Fund Disbursements (currently 7.47 percent)
  - Total sales limit is \$300 million per year (proposed to increase to \$400 million)
- Debt Service affordability remains key factor
- Bond sales continue to benefit from the County's triple-A bond rating. On January 19, 2022, the County conducted a General Obligation bond sale at an interest rate of 1.75 percent

# Next Steps/CIP Dates

- CIP on County website February 22
- PC CIP Committee Meeting February 24
- PC Workshop/Public Hearing March 10
- CIP Discussed at BOS Committee March 15
- PC CIP Committee Meeting March 24
- PC CIP Mark-up March 30
- BOS Public Hearings April 12-14
- BOS Mark-up/CIP Adoption April 26

Advertised Capital Improvement Program (CIP) FY 2023- FY 2027 ([fairfaxcounty.gov](https://www.fairfaxcounty.gov))